

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2836

INFO AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MILAN

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E.O. 11652: N/A

TAGS: EEWT, FR, JA, UK, GE, IT

SUBJECT: EAST-WEST FOREIGN TRADE BOARD STUDY THE
ROLE OF COMPENSATION ARRANGEMENTS IN EAST-WEST TRADE

REF: STATE 139258

1. GOF DOES NOT PROVIDE DIRECT FINANCING FOR TRADE
WITH EASTERN SOCIALIST COUNTRIES OTHER THAN LOAN
GUARANTEES THROUGH COMPAGNIE FRANCAISE D'ASSURANCE
POUR LE COMMERCE EXTERIEUR (COFACE). IN DISCUSSING
TREATMENT OF EXPORTS INVOLVING COMPENSATION AGREEMENTS,
MINISTRY OF FOREIGN TRADE OFFICIALS (DREE) TOLD
EMBOFF THAT GOF DOES NOT WELCOME RECENT TREND TOWARD
COMPENSATION PROPOSALS BY EASTERN EUROPEAN COUNTRIES.
ITS POLICY IS TO CONSIDER EXPORT CONTRACTS AND PAYBACK
AGREEMENTS AS TWO SEPARATE TRANSACTIONS. IN REVIEWING
CREDIT GUARANTEES THE COFACE DOES NOT, IN PRINCIPLE,
ACCEPT COMPENSATION AGREEMENT AS INTEGRAL PART OF
EXPORT FINANCING PACKAGE. THE COMPENSATION AGREEMENT
IS LEFT TO CONTRACTING FIRMS TO CONSIDER ON STRICTLY
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COMMERCIAL BASIS. GOVERNMENT INTERCESSION WOULD

ONLY COME IF STATUTORY IMPORT CONTROLS ARE INVOLVED. GOF IS PARTICULARLY CONCERNED ABOUT COMPENSATION AGREEMENTS WHICH MIGHT ADVERSELY AFFECT FRANCE'S OWN DOMESTIC MARKETS. IN RECENT MEETINGS WITH SOVIET TRADE OFFICIALS, FRANCE RESERVED THE RIGHT TO CATEGORIZE CERTAIN PRODUCTS AS SENSITIVE AND THUS NOT TO BE INCLUDED IN IMPORTS FROM THE USSR AIMED AT REDRESSING ANY TRADE IMBALANCE. TO ASSIST IN CORRECTING ITS TRADE IMBALANCE WITH EASTERN EUROPEAN COUNTRIES, GOF IS SEEKING WAYS TO MARKET EASTERN EUROPE EXPORTS IN THIRD COUNTRIES THROUGH NEW COOPERATIVE MARKETING ARRANGEMENTS.

2. DESPITE GOF POLICY NOT TO DISTINGUISH BETWEEN EXPORT CONTRACTS WITH COMPENSATION AGREEMENTS AND THOSE WITHOUT, DREE OFFICIAL NOTED THAT WESTERN COMPETITION FOR EASTERN EUROPEAN CONTRACTS IS MORE AND MORE DEPENDENT UPON WILLINGNESS TO ACCEPT COMPENSATION AGREEMENTS. ALTHOUGH IN PRINCIPLE IT MIGHT BE TEMPTING TO ATTEMPT TO SET WESTERN LIMITS ON COMPENSATION AGREEMENTS (SIMILAR TO GENTLEMEN'S AGREEMENTS ON CREDIT) DREE OFFICIAL FELT THAT THIS WOULD IN THE END PROVE COUNTER-PRODUCTIVE.
RUSH

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